

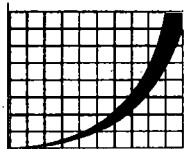
**PINE VALLEY SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF WASHINGTON COUNTY, UTAH)**

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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SAVAGE ESPLIN & RADMALL, PC

Certified Public Accountants

Pine Valley Special Service District
(A Component Unit of Washington County, Utah)
Pine Valley, Utah

We have reviewed the accompanying statement of net assets of Pine Valley Special Service District, a component unit of Washington County, Utah, as of December 31, 2006, and the related statement of revenues, expenditures, and changes in net assets and statement of cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Pine Valley Special Service District.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Savage Esplin & Radmall PC

SAVAGE ESPLIN & RADMALL, PC

St. George, Utah
May 23, 2007

PINE VALLEY SPECIAL SERVICE DISTRICT

(A Component Unit of Washington County, Utah)

Statement of Net Assets - Proprietary Fund

As of December 31, 2006

Assets:

Current Assets

Cash	\$ 41,878
Residential Assessments Receivable	12,060

Total Current Assets	<u>53,938</u>
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Non-Current Assets

Cash - Restricted for Capital Improvements	16,549
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Capital Assets

Land	2,000
Land Improvements	660
Buildings	151,522
System Improvements	9,785
Equipment	371,017
Accumulated Depreciation	(103,745)

Total Capital Assets	<u>431,239</u>
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Total Non-Current Assets	<u>447,788</u>
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Total Assets	<u><u>\$ 501,726</u></u>
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Liabilities:

Current Liabilities

Notes Payable	\$ 9,941
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Total Current Liabilities	<u>9,941</u>
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Total Liabilities	<u>9,941</u>
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Net Assets:

Invested in Capital Assets, net of related debt	421,298
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Restricted for Capital Improvements	16,549
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Unrestricted	53,938
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Total Net Assets	<u>491,785</u>
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Total Liabilities and Net Assets	<u><u>\$ 501,726</u></u>
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PINE VALLEY SPECIAL SERVICE DISTRICT

(A Component Unit of Washington County, Utah)

Statement of Revenues, Expenses and Changes in

Net Assets - Proprietary Fund

Year Ended December 31, 2006

Operating Revenues	
Residential Fee Assessments	\$ 65,330
Miscellaneous	2,175
Total Operating Revenues	<u>67,505</u>
Operating Expenses	
Automobile Expenses	1,673
Contracted Services	16,200
Depreciation	22,678
Fire Department Supplies	6,474
Insurance	7,893
Other General Operating Costs	4,089
Professional Fees	572
Training	2,415
Utilities	2,431
Total Operating Expenses	<u>64,425</u>
Net Income from Operations	<u>3,080</u>
Non-Operating Revenue/(Expense)	
Impact Fees	16,500
Rental Income	1,200
Federal and State Grants	237,750
Donations	3,402
Interest Income	833
Interest Expense	(1,008)
Total Non-Operating Revenue/(Expense)	<u>258,677</u>
Change in Net Assets	\$ 261,757
Total Net Assets - Beginning	230,028
Total Net Assets - Ending	<u>\$ 491,785</u>

See accompanying notes and accountants' report.

PINE VALLEY SPECIAL SERVICE DISTRICT

(A Component Unit of Washington County, Utah)

Statement of Cash Flows

Proprietary Fund

As of December 31, 2006

Cash Flows From Operating Activities

Cash received from customers, other fees	\$ 65,045
Cash paid to suppliers for goods and services	(25,547)
Cash paid to independent contractors for services	<u>(16,200)</u>

Net Cash Provided by Operating Activities 23,298

Cash Flows From Noncapital Financing Activities

Donations	3,402
Rents Received on Fire Station Use	<u>1,200</u>

Net Cash Provided by Noncapital Financing Activities 4,602

Cash Flows From Capital and Related Financing Activities

Impact Fees	16,500
Principal Paid on Debt	(9,649)
Interest Paid on Debt	(1,008)
Acquisition of Capital Assets	(264,822)
Federal and State Grants Received	<u>237,750</u>

Net Cash Used by Capital and Related Financing Activities (21,229)

Cash Flows From Investing Activities

Interest earned on savings deposits	<u>833</u>
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Net Increase in Cash and Cash Equivalents 7,504

Cash and cash equivalents at beginning of year 50,923

Cash and Cash Equivalents at End of Year \$ 58,427

PINE VALLEY SPECIAL SERVICE DISTRICT

(A Component Unit of Washington County, Utah)

Statement of Cash Flows (Continued)

Proprietary Fund

As of December 31, 2006

Reconciliation of operating income to net cash provided by
operating activities:

Net Income from Operations	\$ 3,080
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	22,678
Changes in operating assets and liabilities:	
(Increase) in receivables	(2,460)
Net Cash Provided From Operating Activities	<u><u>\$ 23,298</u></u>

PINE VALLEY SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accounting and reporting policies of the Pine Valley Special Service District (The District) conform with Generally Accepted Accounting Principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies.

Reporting Entity

The District, a component unit of Washington County, was established December 4, 1978 by the Washington County Board of County Commissioners. The District provides fire protection services for the community of Pine Valley and other surrounding areas. The accompanying financial statements include all activities of the District. There are no other agencies or component units that should be associated with these financial statements.

Basis of Accounting

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than on reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. Revenues and expenses are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

Budgets and Budgetary Accounting

Annual budgets are prepared and adopted by the Board on or before December 31 for the next calendar year in accordance with State law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to the adoption of the final budget, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised under State law, at the department level. Budget amendments are required to increase expenditure budgets. The Enterprise Fund budget is prepared using the accrual basis of accounting.

Encumbrances

The District does not employ encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

Compensated Absences

There are no accruals for accumulated sick and vacation, as the District currently does not offer such benefits to any of its employees.

PINE VALLEY SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Net Assets

"Net assets" is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Fixed assets used in the operation of the District, along with the associated debt, are included in the District operation fund, which is a proprietary fund.

The assets associated directly with the operation of the District are capitalized at their cost. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

	<i>Useful Life</i>
Building and Improvements	40 years
Equipment	5-15 years
Land	Not Depreciated

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Revenue

The District defines operating revenues as those revenues that the District receives directly from those people to whom they provide the service. For example, residential fee assessments would be considered operating revenues. All other revenues that do not

PINE VALLEY SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

qualify as operating revenues are considered non-operating revenues.

Inventory

The District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Risk Management

The District maintains insurance for general liability, auto liability, employee dishonesty and worker's compensation through the Utah Local Government's Insurance Trust, and Workers Compensation Fund, respectively.

NOTE 2. DEPOSITS AND INVESTMENTS

The District maintains three deposit accounts that includes one checking account and two savings accounts. One savings account is maintained for the separation of impact fees that are restricted for capital improvements.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, none of the District's bank balance of \$58,427 was exposed to custodial credit risk because these deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

PINE VALLEY SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

Investments

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The District had no investments during the reporting period.

NOTE 3. RECEIVABLES

Total receivables of \$12,060 consisted entirely of overdue residential fee assessments and late charges submitted to the county for collection with property taxes. An allowance for doubtful accounts has not been maintained as uncollectible accounts have not been significant in the past and would be immaterial to the financial statements.

NOTE 4. FIXED ASSETS

The following table summarizes the changes to fixed assets during the year ended December 31, 2006. The majority of fixed asset additions include the addition of a new fire truck funded mostly by a federal grant.

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Land	\$ 2,000	-	-	\$ 2,000
Land Improvements	660	-	-	660
Buildings & Improvements	161,307	-	-	161,307
Equipment	106,195	264,822	-	371,017
Total	<u>\$ 267,502</u>	<u>\$ 264,822</u>	<u>\$ -</u>	<u>\$ 532,324</u>

NOTE 5. LONG-TERM DEBT

Long-term debt consists of a single unsecured loan due in yearly installments of \$10,547 at 75% of the prime rate. As of December 31, 2006, the balance on the loan was \$9,941 and the interest rate was 6.1875%. A final payment will be made during May of 2007.

PINE VALLEY SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 6. LEASING ARRANGEMENTS

The District currently leases its old fire building to the Pine Valley Irrigation Company. There is no formal written lease arrangement. There is an oral agreement that the Irrigation Company pay \$1200 per year for the lease of the building.

NOTE 7. RESERVED AND DESIGNATED NET FIXED ASSETS

Reserves and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. Impact fee revenue is collected for the purpose of increasing capital improvements for the fire station and related equipment. The funds are kept in a separate account and are reserved only for these purposes and have thus been designated as restricted.

In prior periods, some fixed assets were not properly capitalized but were expensed as incurred and one fixed-asset trade was not properly accounted for. In addition, prior year receivables had not been accrued. The correction of these prior-period errors resulted in an increase to beginning net fixed assets of \$12,030.